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FIRST COUNTRY COOPERATION FRAMEWORK FOR THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA (1997-1999)

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INTRODUCTION

1. The country cooperation framework (CCF) was prepared by the Government of the Democratic People's Republic of Korea (National Coordination Committee, NCC) on the basis of the UNDP Advisory Note that was formulated in consultation with and accepted by the Government. The CCF reflects the joint views of the Government and UNDP on the best and most practical strategies and programmes to support national development goals during 1997-1999.

2. The findings of a number of UNDP and other United Nations reports have been taken into account. In addition, efforts have been made to ensure that strategies and programmes for 1997-1999 correspond directly to the declaration of recent United Nations-sponsored international conferences, such as the 1992 United Nations Conference on Environment and Development, the 1995 World Summit for Social Development; and the 1995 Fourth World Conference on Women.

I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

3. The CCF was prepared at a time when the Democratic People's Republic of Korea was having to cope with the effects of repeated natural disasters. Hail storms in 1994, and floods in 1995 and 1996, severely affected the agricultural sector, together with part of the industrial sector and infrastructure. In the agricultural sector, the coarse grain production output for the two main cereals, paddy and maize, dropped from 6,870,000 tons in 1994 to 2,251,200 tons in 1996 resulting in an acute food shortage. For the economy as a whole, the Gross National Product decreased by 17 per cent between 1995 and 1996, from $12.7 billion to $10.5 billion. The damage caused to the agricultural and industrial sectors, together with the limited availability of foreign currency, negatively affected the volume of foreign trade. The value of exports decreased from $867 million in 1995 to $756 million in 1996, while the value of imports decreased from $1,125 million to $998 million in the same years. The trade deficit in 1996 amounted to $242 million.

4. In this context the Government appealed, through the United Nations, for assistance from the donor community for food, rehabilitation of flood-damaged agricultural land and restoration of food security, and basic health services. Meanwhile, the Government has adopted the "agriculture first, light industry first and foreign trade first" principles in order to guide the development process for the period following the third seven-year plan (1987-1993).

5. In the Democratic People's Republic of Korea, the concept of sustainable human development (SHD) is defined and interpreted in accordance with the country's own socio-economic and political characteristics. The "Juche" philosophy, which calls for self-reliance as the basis of political, economic and social thinking and views "mankind" as the centerpiece of all activities undertaken for the purpose of economic growth and prosperity, governs the decision-making process of Government and communities at all levels. This approach to development closely resembles a universal definition of SHD, but distinctive social, political and economic values and practices of the

Democratic People's Republic of Korea dominate the process of achieving SHD goals. It is within this framework that UNDP's development cooperation for 1997-1999 is envisaged.

6. The Democratic People's Republic of Korea has achieved high levels of performance in many of the social indicators. It ranks 75th out of 175 countries in the 1997 Human Development Index. Life expectancy at birth is 71.4 years, and the adult literacy rate is 95 per cent.

7. SHD, apart from addressing the critical issues of poverty, employment, gender equity and environment, also emphasizes the pre-condition of economic development as pivotal factor for the long-term sustainability of social achievements. In the current context of food shortages and negative growth, economic development is clearly one of the crucial challenges that the Democratic People's Republic of Korea faces. So far, UNDP-supported programmes in the Democratic People's Republic of Korea have had significant emphasis on industry and energy and on diversifying the economy.

(a) Poverty eradication and sustainable livelihoods

8. Absolute poverty is not observed in the Democratic People's Republic of Korea; even under the present circumstances the general population is assured of minimum standards in food, clothing, shelter, education, and other basic needs. However, given that the gross national product (GNP) per capita is $479 per annum, the issue of poverty has to be addressed in terms of giving the general population access to higher standards of living. In this context, many UNDP-funded activities - in the agriculture sector, diversifying crops and improving nutritional standards; in the industry sector, increasing the supply of mass consumption goods; in the energy sector, improving access to power supplies - are aimed at improving the living standards of the population. This principle continues to dominate programme design and implementation, as the basis of the CCF.

9. Sustainable livelihood and employment issues should also be seen in the particular circumstances of the Democratic People's Republic of Korea, where the main problem is to increase the productivity of currently employed people. Increased productivity can generate more income, and several UNDP-funded activities are directed towards improving productivity, especially in agriculture and light industry, through skills upgrading, training and technology.

10. The development of human resources, particularly in the area of skills upgrading and training for income generation and productive employment, remains a priority for the Democratic People's Republic of Korea. Improved training mechanisms, including those directed towards upgrading managerial skills in all sectors of the economy, as well as increased training and education opportunities for the population in general, but especially for women, are needed to improve living standards and the resource base of the economy.

11. The focus on economic cooperation and trade, particularly in the Rajin Sonbong Free Economic and Trade Zone (FETZ) requires upgraded and modernized

skills in the labour force, including management and technological know-how, as a prerequisite for competitive participation in the global economy.

(b) Gender

12. The socialist doctrine of the Democratic People's Republic of Korea's views women and men as equal, and offers them similar opportunities for participation in the political, economic, and social spheres. This affords the Government and its development partners an ideal opportunity for supporting activities to strengthen the critical role women play in the development process.

13. More than in the past, the role of women in the development process will, as an essential component of the SHD paradigm, be considered as an integral part of development cooperation in the Democratic People's Republic of Korea. When and where appropriate, UNDP should offer its expertise to the Government in dealing with issues related to women's mobility and their access to economic and social opportunities and decision-making.

(c) Environment

14. The control of industrial pollution at its source through modern technologies remains a top priority. Environmental issues have already been dealt with extensively by UNDP in the industry, agriculture and energy sectors. The thrust in this area has been to prevent damage to the environment caused by practices routinely followed in key sectors of the economy through appropriate technology for monitoring and alleviating industrial pollution and the promotion of sustainable management of land, water and coal resources, including the appropriate use of fertilizers and pesticides.

15. During the period covered by the CCF, environmental research will be geared towards identifying appropriate methodologies for curbing industrial pollution of air and water, developing a sustainable milieu for agricultural production, and generating renewable energy sources. Supporting the Government's capacity for systematic and rigorous environmental auditing in the industry, agriculture, and energy sectors will be an effective instrument for the protection and regeneration of the environment.

II. RESULTS AND LESSONS OF PAST COOPERATION

16. During the third country programme, the Government has been able to modernize and upgrade technologies and know-how in various sectors of the economy, such as agriculture and fisheries, light industry, international trade, energy, and the environment. In the field of air, water, food and soil resources monitoring, UNDP contributed to the development of effective pollution monitoring stations. It has also contributed to the development of human resources, especially through the provision of training and fellowship opportunities abroad, in fields ranging from improving managerial skills to developing basic scientific knowledge, including computer science, in a variety of plants and industrial centres. As a direct result, the Democratic People's Republic of Korea is now developing, for example, commercial computer software for export to developed countries. The third tangible result of UNDP's work has

been the applied research capacity in such areas as agricultural yield improvement and crop diversification and increased productivity in light industry. This research capacity is also the basis for the ongoing double-crop programme. Finally, UNDP has succeeded in promoting regional cooperation, particularly with the active participation of the Democratic People's Republic of Korea in the Tumen River Area Development Programme (TRADP) and the development of the Free Economic and Trade Zone. The Government is determined to participate more actively in the regional programme, particularly in agriculture, as a complement to national programmes. The lessons learned in designing and implementing the activities of the third country programme may be summarized as follows:

(a) To avoid diffusion of resources, the identification of priority areas to be included in the CCF follows a more focused and result-oriented approach to achieving specific goals, taking into account the present emergency situation;

(b) Further efforts will be made to explore in greater depth the opportunities for operational activities to promote SHD;

(c) More social and economic data will be made available, so that the impact of capacity-building activities can be evaluated more systematically;

(d) National execution - around 80 per cent of the indicative planning figure (IPF) - has been beneficial in terms of capacity-building and cost-effectiveness. A review of national execution in the Democratic People's Republic of Korea identified "objective auditing" as a missing ingredient of nationally executed activities. The Government will ensure that all these activities are subject to periodic, independent auditing performed by an appropriate authority;

(e) Inter-country programmes, particularly on a regional scale, can make an important additional contribution. The Democratic People's Republic of Korea will intensify linkages with regional programmes, particularly in agriculture, trade and environment.

III. PROPOSED STRATEGY AND THEMATIC AREAS

17. The strategy designed to target development assistance effectively towards achieving SHD objectives takes into account the centralized nature of the Government and the centrally planned economy and the need to overcome the consequences of natural disasters and to restore food security and industrial productivity. In so doing, the strategy for the 1997-1999 CCF will include programmes and activities directed towards the following strategic goals: (a) supporting the national effort to restore food security and sustainability in agriculture, while preserving the environment; UNDP will help mobilize donor resources; (b) buttressing the national effort aimed at developing operational systems for the Rajin Sonbong FETZ and at increasing export capacity in general; (c) building capacity for managing natural resources and preserving the environment.

18. Three main programmes, in agriculture, trade and pollution control, are being developed in an interlinked and mutually supporting fashion. Their thematic coverage includes: (a) poverty eradication to raise living standards through improved productivity and human resources development; (b) promotion of the role of women in development and increased skill training opportunities for women; and (c) preservation of the environment through prevention, regeneration and protection measures.

19. In addition, a secondary programme component will provide the necessary flexibility to engage in non-traditional or more sensitive initiatives as new needs and opportunities arise.

A. Agriculture rehabilitation and sustainable food security

20. UNDP is already supporting the Agricultural Relief and Rehabilitation Programme (ARRP), which covers emergency rehabilitation work (excavation of buried land, rehabilitation of irrigation etc.) as well as long-term rehabilitation of agriculture and productivity, and protection and preservation of the environment. Under target for resource assignment from the core (TRAC) line 1.1.3, UNDP allocated $2 million for emergency interventions in a specific target area. The strategy adopted revolves around cooperation with other countries. The initiatives include a double-crop demonstration programme involving the planting of barley seeds over 50,000 hectares in early spring and the supply of agricultural inputs.

21. An open Trust Fund has been set up by UNDP to mobilize donor resources for ARRP. Several donor meetings were held in the course of 1996 and 1997. Although the response of the donor community for relief and emergency-related activities has been encouraging, there is a need to raise resources for sustainable activities, rehabilitation and longer-term food security. In terms of impact, aside from the "technical" impact of restoring agricultural land to production, repairing dykes, dams and irrigation canals, preserving the environment, etc., ARRP will help establish cooperation links within the region and the subregion. In addition, the double-crop initiative is the only sustainable alternative to food aid and to open-ended emergency assistance.

B. Economic cooperation programme and foreign trade

22. The Government attaches high priority to increased trade and international economic cooperation, especially through the Rajin Sonbong FETZ. The UNDP-funded International Economic Cooperation Programme (IECP), with a budget of $3 million, was partly initiated during the third country programme. It supplements the participation of the Democratic People's Republic of Korea in the Tumen River Area Development Programme (TRADP), the secretariat of which the Democratic People's Republic of Korea chairs in 1997. IECP aims at helping the Democratic People's Republic of Korea diversify its economic capacities and international commercial contacts, raise the volume of private investments, and increase exports. IECP comprises three elements supported by UNDP: (a) investment promotion as a follow-up to the 1996 Investment Forum and the establishment of a business institute in the Rajin Sonbong FETZ; (b) support to

selected export-oriented enterprises; and (c) support to the Research Institute for External Economies. The establishment of the Rajin Business Institute (RBI) is an important mechanism for training government staff in business administration, management, finance and legal issues, with particular emphasis on the formulation and operation of joint ventures.

23. In September 1996 UNDP sponsored, through UNIDO, an investment forum in the Rajin Sonbong FETZ that helped mobilize over $800 million of foreign investments and commitments in the Zone. Contracts worth around $250 million have already been implemented. Impact should not be assessed in terms of investments in the Zone alone but also in terms of its importance as an experiment in new economic ventures.

C. Environment

24. Combating industrial water and air pollution remains one of the Government's priorities. The planned participation of the Democratic People's Republic of Korea in development finance institutions in the near future, and the possibility of access to capital investment in order to relaunch industrial production, make the implementation of national pollution control measures even more important. The Environment and Industrial Pollution Management Support Programme ($2 million) will support the implementation of the national Industrial Environment Management Action Plan and improve national capacity for monitoring and controlling industrial pollution. UNDP will help select three major polluting sources in the main economic sectors and implement pollution control technologies on a demonstration basis, for replication at the national level. Although the Government has already allocated funds for extension at the national level, additional funding from sources such as GEF as well as regional resources will be identified.

25. The programme will contribute to waste minimization and more cost-effective treatment techniques for the Taedong and Amnok rivers and control of emissions of nitrogen oxides at the Hungnam Fertilizer Complex, and its results will be used for replication in other industrial zones.

26. With GEF funding, the Government has already started the implementation of a climate change enabling activity and is in the process of finalizing a biodiversity enabling activity that will also incorporate a clearing house mechanism.

D. Special initiatives

27. UNDP's political neutrality places it in a unique position to play a critical role in initiatives in the areas of human rights education, support to the Disarmament and Peace project, and education and training in key areas.

28. UNDP will contribute to strengthening the capacity of the Human Rights Research Association for policy development and promotion of issues related to human rights and education. The Government has submitted a proposal for the implementation of human rights education, and UNDP will initiate this programme

of education, training and awareness-building in cooperation with the United Nations.

29. The ongoing Disarmament and Peace Institute project related to research and training in disarmament will be supported. In terms of impact, information related to human rights and disarmament will be available in educational institutions, and due consideration will be given by the Government to the introduction of the subject into the curricula of institutes of higher learning such as universities or specialized academies.

30. UNDP will promote training activities to maximize the leverage effect of its programmes and resources mobilization efforts, as well as training in selected technical fields and key sectors. This will be implemented through training of national personnel in foreign languages and computers and in connection with the implementation of loans from the International Fund for Agricultural Development for silkworm and livestock breeding. In addition, specific training activities in fields such as air traffic control and telecommunications will be undertaken as part of the outreach effort.

31. In implementing these activities the Government and UNDP will ensure the use of cost-effective means such as United Nations Volunteer specialists and technical cooperation among developing countries (TCDC).

IV. MANAGEMENT ARRANGEMENTS

Execution and implementation

32. National execution remains the primary mode of programme execution. The National Coordinating Committee (NCC) remains UNDP's main counterpart for coordination of operational activities. Under the overall leadership of NCC, the General Bureau for Cooperation with International Organizations, Commission for External Economic Affairs, remains the main implementing agency for UNDP-assisted programmes, with the possible involvement of other government agencies. To complement and assist the Government in the implementation of UNDP programmes, United Nations agencies will also be involved. In addition, UNDP will, as appropriate, assist in capacity-building for NCC, and exchanges of regional expertise through TCDC programmes would be initiated. In order to maximize the cost-effectiveness of UNDP's funded activities, the Government encourages greater use of United Nations Volunteer specialists, especially in the education and agriculture sectors.

Monitoring, review and reporting

33. The current tripartite and independent mechanisms established for the purpose of monitoring, reviewing and evaluating the activities of UNDP-funded programmes and projects will be continued. At the country-programme level, annual and mid-term evaluations will also continue.

34. Evaluations will be carried out jointly by independent teams of experts who will be given access to the necessary information and data through field visits, surveys and interviews with intended beneficiaries. The findings of such

evaluations will be reported to UNDP and the Government, and decisions in relation to their recommendations will be made during the reviews and evaluation of the CCF.

Resource mobilization and aid coordination

35. Until November 1995 UNDP was the only multilateral development organization and the only United Nations body with a country office and resident personnel in the Democratic People's Republic of Korea. The Resident Representative is the United Nations Resident Coordinator, and heads the United Nations Country Team, the Security Management Team and the Disaster Management Team. He or she also serves as coordinator for humanitarian assistance provided through the United Nations system and as representative of UNDRA. An increasing number of non-governmental organizations are involved in the relief effort, and regular meetings will be held for better coordination of operational activities.

36. UNDP's proposal for the establishment of an operational support group comprising the main donor representatives is likely to be acted on. Other formal donor consultations - round tables, etc. - will be arranged under the auspices of UNDP.

37. With a line 1.1.1 target for resource assignment from the core of $3,985,000 and $3,231,000 in IPF carry-over from the third country programme, UNDP should aim at mobilizing additional funds from various sources in cooperation with the Government.

Annex

RESOURCE MOBILIZATION TARGET TABLE FOR THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA (1997-1999)

(In thousands of United States dollars)

Source	Amount	Comments
UNDP CORE FUNDS		
Estimated IPF carry-over	3 231	
TRAC 1.1.1	3 985	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
TRAC 1.1.3	2 000	ARRP
SPPD/STS	428	
Subtotal	9 644[a]	
NON-CORE FUNDS		
Government cost-sharing	-	
Sustainable development funds	2 500	Global Environment Facility
Third-party cost-sharing	-	
Funds, trust funds and other	5 200	ARRP
Subtotal	7 700	
GRAND TOTAL	17 344[a]	

[a] Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: ARRP = Agricultural Relief and Rehabilitation Programme; IPF = indicative planning figure; SPPD = support for policy and programme development; STS = support for technical services; and TRAC = target for resource assignment from the core.